

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)

HAWAIIAN ELECTRIC COMPANY, INC.)

DOCKET NO. 2007-0322

For Approval of a Waiver of)
Rule 13 of HECO's Tariff to Allow)
HECO to Pay for a Portion of the)
Underground Conversion Cost for)
Item P0049270, Keaahala CPR UG)
Conversion - 45-598 Keaahala Road.)

DECISION AND ORDER NO. 24240

Filed May 22, 2008

At 11:30 o'clock A.M.

Karen Higrot.

Chief Clerk of the Commission

DIV. OF CONSUMER ADVOCACY
DEPT. OF COMMERCE AND
CONSUMER AFFAIRS
STATE OF HAWAII

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DECISION AND ORDER

By this Decision and Order, the commission approves HAWAIIAN ELECTRIC COMPANY, INC.'s ("HECO") request for a project-specific waiver of Rule 13 of its tariff ("Rule 13") to allow HECO to contribute approximately \$14,729 to underground the secondary overhead lines for the Keaahala CPR UG Conversion Project located at 45-598 Keaahala Road.

I.

Background

HECO is a Hawaii corporation and a public utility as defined by Hawaii Revised Statutes ("HRS") § 269-1. It was initially organized under the laws of the Kingdom of Hawaii on or about October 13, 1891. HECO is engaged in the production, purchase, transmission, distribution, and sale of electricity on the island of Oahu in the State of Hawaii.

A.

Application

On September 24, 2007, HECO filed an application ("Application") for a waiver of Rule 13¹ of its tariff to allow HECO to contribute approximately \$14,729 for the labor and materials to convert the secondary overhead lines to secondary underground lines for the Keaahala CPR UG Conversion Project located at 45-598 Keaahala Road ("Conversion Project").² At the request of a HECO customer in the affected area, HECO undergrounded the existing secondary overhead lines that were located near 45-598, 45-598A, 45-598B, 45-598C, 45-598D, 45-598E and 45-598F Keaahala Road.

Specifically, the underground work consisted of the installation of:

- (1) Three 2' x 4' handholes;
- (2) Approximately 125 feet of 2-3 inch ducts;
- (3) Approximately 420 feet of 1-3 inch duct;

¹HECO's Tariff Rule No. 13.D.4 states:

[W]hen mutually agreed upon by the customer or applicant and the Company [(i.e., HECO)], overhead facilities will be replaced with underground facilities, provided the customer or applicant requesting the change makes a contribution of the estimated cost installed of the underground facilities less the estimated net salvage of the overhead facilities removed.

²HECO served copies of the Application on the DIVISION OF CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS ("Consumer Advocate"), an ex officio party to this docket pursuant to HRS § 269-51 and Hawaii Administrative Rules § 6-61-62. No persons moved to intervene or participate in this proceeding.

- (4) Approximately 380 circuit feet of 2-1/c 350 KCM aluminum triplex secondary cable;
- (5) Approximately 380 circuit feet of 2-1/c 2 KCM aluminum triplex secondary cable; and
- (6) Two 120/240V secondary risers.

The work also involved the removal of:

- (1) Approximately 100 circuit feet of aerial secondary conductors;
- (2) Approximately 400 feet of service conductors;
- (3) Two anchors with down guys; and
- (4) One 30-foot wooden pole (P3/14).

According to HECO, due to "the customer's tight schedule, the customer could not wait for HECO to submit the Application and obtain [c]ommission approval of the conversion prior to commencing work on the project."³ HECO states that the customer paid for the full cost of the conversion, estimated to be \$56,729 (including change-over and removal costs); and the customer's construction of the underground infrastructure and the installation of HECO's facilities were completed in May 2007. HECO states that it will reimburse the customer \$14,729, if the commission approves its Application.

HECO states that the cost sharing for the Conversion Project is consistent with its Policy on Underground Lines, dated May 2006 (which the commission approved in Order No. 22467, filed on May 16, 2006, in Docket No. 03-0260 ("UG Policy")). HECO contends that it has "proactively addressed the

³Application at 3.

Legislature's clearly expressed concern that the community's desire for underground utility facilities be facilitated, if and to the extent that the undergrounding can be done at a reasonable cost."⁴ According to HECO, the proposed cost sharing is a "reasonable solution" for the conversion of its facilities from overhead to underground.

B.

Consumer Advocate's Position

On April 28, 2008, the Consumer Advocate filed its statement of position ("SOP") informing the commission that it does not object to approval of the Application. According to the Consumer Advocate, "HECO is proposing to share in the cost of the conversion work" pursuant to its UG Policy, which requires HECO "[a]s part of an eligible community or government-initiated project" to contribute 100% of the cost for planning, design, material procurement and construction of the electrical work and for the community or government agency to perform 100% of the planning, design, material procurement, and construction of the civil/structural infrastructure work. As set forth in HECO's Cost Contribution for Placing Overhead Distribution Lines Underground, Guideline Summary, updated March 2006 ("Cost Contribution Summary"), "eligible community" projects include a "[p]roject for a cluster (4 or more adjacent lots) of customers."

⁴See Application at 4.

According to the Consumer Advocate, the Project appears to be within the scope of this criterion, "Criterion No. 3," but that the criterion may be unclear and have unintended results. The Consumer Advocate states that it is unclear what is meant by "customers"; whether the term "customers" means lot owners or bill-paying customers. According to the Consumer Advocate, 45-598, 45-598A, 45-598B, 45-598C, 45-598D, 45-598E and 45-598F Keaahala Road are all owned by the same customer; but there are at least four different bill-paying customers residing on those lots. As the Project appears to satisfy Criterion No. 3, the Consumer Advocate recommends approval of the Application, but will work with HECO on revising the UG Policy and Cost Contribution Summary, if necessary, to address the ambiguity.

In addition, the Consumer Advocate states that the owner of the lots, who requested the Project, is in the process of selling the homes on the lots; and, "[a]s such, it appears that one of the primary objectives for the conversion work may have been to enhance the visual area around these homes in order to increase the market value of the properties listed for sale," which is a purpose the UG Policy was not designed to promote. As "the cost shared by HECO is relatively minimal when considering the Company's revenue requirement and rate base," and given that "the overall intent of HECO's Policy to convert existing overhead lines to underground facilities will be fulfilled by the instant proposal," the Consumer Advocate does not recommend any changes to the UG Policy, but will monitor

future waiver requests under Criterion No. 3 to assess the reasonableness of including the criterion in the policy.

II.

Discussion

HECO's Tariff Sheet No. 1 states, in relevant part: "The rules and rate schedules set forth herein have been fixed by order of the Public Utilities Commission of the State of Hawaii and may not be abandoned, changed, modified or departed from without the prior approval of the [c]ommission."

HECO's Tariff Rule No. 13.D.4 states:

[W]hen mutually agreed upon by the customer or applicant and [HECO], overhead facilities will be replaced with underground facilities, provided the customer or applicant requesting the change makes a contribution of the estimated cost installed of the underground facilities less the estimated net salvage of the overhead facilities removed.

HECO's Tariff Rule No. 13.D.4.

HECO, however, is proposing to share in the cost of the Conversion Project, pursuant to its UG Policy, which states:

HECO will convert existing overhead lines to underground lines . . . [a]s part of an eligible community or government-initiated project to underground HECO's distribution and service lines (25kV and below). Provided that monies are available, HECO shall contribute at 100% its cost, the planning, design, material procurement and construction of the electrical work (e.g., cable installation, transformers, terminations, etc.). The community and/or government agency shall perform at 100% its cost, the planning, design, material procurement and construction of the civil/structural infrastructure work (e.g., trenching, ductline construction, manholes, etc.)

. . . .

UG Policy at 2. Under HECO's Cost Contribution Summary, an "eligible community" project is a "[p]roject for a 'cluster' (4 or more adjacent lots) of customers."

In its SOP, the Consumer Advocate expressed concern that the reference to "customer" in HECO's Cost Contribution Summary was ambiguous and could lead to unintended results, but nonetheless recommended approval of the Application. In reviewing the record, the commission agrees with the Consumer Advocate that Criterion No. 3 should be monitored, but that HECO's request for a waiver from Rule 13 to allow it to contribute approximately \$14,729 for the Conversion Project should be approved. As noted by the Consumer Advocate, HECO's contribution to the Conversion Project (i.e., \$14,729) is not significant when compared to its overall plant in service and, thus, the Conversion Project should have a negligible effect on HECO's rates and its ratepayers. In addition, the Conversion Project is consistent with the intent of the UG Policy to convert existing overhead lines to underground facilities.

Based on the foregoing, the commission approves HECO's request for a project-specific waiver of Rule 13 for the Conversion Project, as set forth in its Application. As referenced in the SOP, HECO and the Consumer Advocate should continue to review the UG Policy and Cost Contribution Summary to address the concerns raised by the Consumer Advocate in this docket.

III.

Orders

THE COMMISSION ORDERS:

1. HECO's request for a project-specific waiver of its Tariff Rule 13 to allow HECO to contribute approximately \$14,729 towards the underground conversion costs for Item P0049270, Keaahala CPR UG Conversion at 45-598 Keaahala Road, is approved; provided that no part of the project may be recovered from HECO's ratepayers unless and until approval for such recovery is granted by the commission in HECO's next general rate increase proceeding.

2. As soon as reasonably practicable, HECO shall file its final cost report with the commission and serve two copies of the same on the Consumer Advocate.

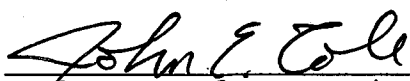
3. HECO shall conform to the commission's requirements set forth above. Failure to do so may constitute cause for the commission to void this Decision and Order, and may result in further regulatory action as authorized by law.


DONE at Honolulu, Hawaii

MAY 22 2008


PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By: 
Carlito P. Caliboso, Chairman

By: 
John E. Cole, Commissioner

By: 
Leslie H. Kondo, Commissioner

APPROVED AS TO FORM:


Stacey Kawasaki Djou
Commission Counsel

2007-0322.sl

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 24240 upon the following parties, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such party.

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Karen Higashi

DATED: MAY 22 2008